

money so rapidly, in order to exchange it for bonds, that the issue of bonds had to be temporarily suspended to prevent too great a rarefication of the circulating medium. A mint was opened, specie was received at the custom-houses at its current value in paper, and in less than seven years (in 1885) paper was within five or six per cent, of par.

The new policy was promoted by the creation in 1882 of the Bank of Japan, with capital of 10,000,000 yen (\$5,000,000) and with powers and by-laws closely modelled upon those of the National Bank of Belgium.¹ The life of the bank was fixed at thirty years, subject to renewal, and the ownership was limited to Japanese subjects, approved by the Minister of Finance. The bank is prohibited from becoming a shareholder in industrial corporations and the directors (meaning thereby the active managers) are not permitted to be officers of other banks or corporations. The governor and vice-governor are appointed by the state for terms of five years ; the four directors are elected by the shareholders, subject to the approval of the Minister of Finance ; but the auditors are chosen by the shareholders, without restriction. It is provided by the charter that " The government shall oversee the business management of the bank, and may not only stop acts which are contrary to the regulations or the by-laws, but also those which, in the opinion of the government, are contrary to the interest of the state." ^a

It was the avowed purpose of creating the new bank to overcome the evils of the depreciated bank paper with which the country had been flooded under the system of note issues by local banks secured by bonds. The steps taken were direct and effective and form an interesting example to any other country placed in a similar situation. The government had been gradually accumulating a specie reserve fund, which became large enough in 1885 to permit an announcement that after January 1, 1886, it would begin to be paid out in the redemption of government notes.³ Equally

* *The Adoption of the Gold Standard in Japan*, 64.

¹ Imperial Ordinance XXXII. of June, 1882, Art. XXIV.

³ The government did not hesitate to resort to taxation in order to